



South Africa's first democratic platinum city

Greater Tubatse Municipality

(Registration number Lim 475)

**Annual Financial Statements
for the year ended 30 June 2016**

Greater Tubatse Municipality

(Registration number Lim 475)

Annual Financial Statements for the year ended 30 June 2016

General Information

Legal form of entity

Local Municipality

Mayoral committee

The Mayor

Mamekoa R.S

The Speaker

Moeng Q.M

The Chief Whip

Nkosi S.M

Councillors

Selala S.I

Manotwane R.R

Makhubedu N.R

Mohlala P.A

Mahlake N.J

Moropane N.M

Thobejane M.D

Mogofe M.E

Khoza M.R

Mametja M.M

Shai A.M

Serothwane O.S

Maleka E

Sekgobela J.B

Riba M.R

Thobejane M.N

Maroga L.R

Makofane R.L

Selahle N.L

Kgwedi J.L

Malatji M.A

Nkwana D.P

Malapane P.E

Mabilu M.L

Komane M.C

Makine P.M

Nkosi M.D

Komane T.D

Rantho L.J

Maile K.M

Tau L.C

Moraba L.D

Hlongwa S.M

Sekgobela P.C

Riba M.E

Kgoete D

Mphofelo K.V

Moropane N.C

Mahlaba P.M

Mashabela M.R

Maepa A.S

Mabelane M.M

Magane D.M

Hlatshwayo B.E

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General Information

	Makgoga M.E Makofane I.T (left on 1 June 2016) Mphogo S.C Kgoete S.S Lesinya M.T Mphethi ND Tshehla N.M Hlatswayo P.J Mbuyane A.W Mohlala K Ngwatla T.J Mahubedu M.R (joined on 1 August 2015) Malaka A.M Mohlala B.J (reinstated on 1 November 2015) Masilela N.G (reinstated on 1 November 2015) Malatji SM (left on 31 October 2015)
Grading of local authority	Grade 4
Accounting Officer	Mohlala JNT
Chief Finance Officer (CFO)	Ratau GT
Registered office	Greater Tubatse Municipality
Business address	1 Kastania Street Burgersfort 1150
Postal address	P. O. Box 206 Burgersfort 1150
Auditors	Auditor General South Africa
Nature of business and principal activities	Municipality
Bankers	First National Bank Burgersfort
Attorneys	Noko Maimela Incorporated FM Maluleka Incorporated Phambani Mokone Incorporated Modise Mabule Attorneys Verveen Attorneys SA Thobane Attorneys Shongwe Attorneys

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant

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Accounting officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the Municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the Municipality and place considerable importance on maintaining a strong control environment. To enable the Municipality to meet these responsibilities, the Accounting Officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Municipality and all employees are required to maintain the highest ethical standards in ensuring that the Municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Municipality is on identifying, assessing, managing and monitoring all known forms of risks across the Municipality. While operating risk cannot be fully eliminated, the Municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Accounting Officer has reviewed the Municipality's cash flow forecast for the year to 30 June 2016 and, in the light of this review and the current financial position, he is satisfied that the Municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

I certify that the salaries, allowances and benefits of Councillors and payments made to Councillors for loss of office, if any, as disclosed in note 30 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements set out on page 6 to 75, which have been prepared on the going concern basis, were approved by the accounting officer on 30 June 2016 and were signed on its behalf by:

**Accounting Officer
Designation**

Date

Greater Tubatse Municipality

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Annual Financial Statements for the year ended 30 June 2016

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2016

Audit committee members and attendance

The audit committee consists of the independent members listed hereunder and should meet at least for four (4) times per annum as per approved terms of reference. During the current year five (5) meetings were held.

Name of Member	Number of meetings attended
Adv. Letsepe Thubakgale (Chairperson)	4
Mr Siyakhula Simelane	4
Adv. Tebogo Martin Malatjie	2
Mr Joseph Nakedi Mpjane	5

Audit Committee Responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(a) of the MFMA.

The committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The Effectiveness of Internal Controls

Our review of the findings of the Internal Audit work, which was based on the risk assessment conducted in the municipality revealed certain weakness, which were then raised with the municipality.

There has been improvement in the system of internal controls of the municipality and reducing disclaimer issues raised in the previous year. In certain instances, the matters reported previously have not been fully and satisfactory addressed. The audit committee notes management's commitment to correct the deficiencies.

Evaluation of Annual Financial Statements

The audit committee has:

reviewed and discussed the annual financial statements to be included in the annual report, with the Auditor General and Accounting Officer report;

- reviewed the Auditor-General of South Africa's management report and management's responses thereto;
- reviewed and noted that there were no significant changes in accounting policies and practices;
- reviewed the municipalities compliance with legal and regulatory provisions and

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Audit Committee Report

- reviewed significant adjustment resulting from the audit.

Evaluation of Draft Performance Report

The audit committee has:

- reviewed and discussed the draft performance report prepared by the municipality before submission to the Auditor-General of South Africa;
- reviewed the reasons for provided by management for material deviation from planned targets

Internal Audit

Audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audit.

Auditor-General of South Africa

The audit committee has met with the Auditor General of South Africa to ensure that there are no unresolved issues.

Adv. L. Thubakgale

Chairperson: Audit Committee

Date:

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Annual Financial Statements for the year ended 30 June 2016

Accounting Officer's Report

The Accounting Officer submits the report for the year ended 30 June 2016.

1. Review of activities

Main business and operations

The Municipality is engaged in municipal activities such as rates, refuse and other services and operates principally in Burgersfort, South Africa.

Net surplus of the Municipality was R 19,152,639 (2015: deficit R 20,282,377).

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. Refer to Note 43.

3. Subsequent events

As a result of the demarcations before the Local Government elections that were held on 03 August 2016, Fetakgomo and Greater Tubatse Municipalities were amalgamated to form one Municipality after the elections. The process to complete the amalgamation is underway.

The Accounting Officer is not aware of any subsequent event after reporting date which may negatively impact on the annual financial statements.

4. Accounting officer's interest in contracts

The Accounting Officer did not declare any interests in contracts of the Municipality for this financial year.

5. Accounting policies

The annual financial statements were prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. Accounting Officer

The Accounting Officer of the Municipality during the year and to the date of this report is as follows:

Name	Nationality	Changes
Mohlala, Johannes NkhonoTshepo	RSA	Appointed on 1 July 2015.

Mr JNT Mohlala was appointed as the Municipal Manager on 1 July 2015.

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Accounting Officer's Report

7. Corporate governance

General

The Accounting Officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the Accounting Officer supports the highest standards of corporate governance and the ongoing development of best practice.

Councillors

The councillors:

- retains full control over the municipality, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality;
- is of a unitary structure comprising;
 - > - Mayor
 - > - Speaker
 - > - Councillors.

Mayor

The roles of the Mayor and Municipal Manager are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion. The Council and Mayor perform their oversight role and duties in terms of the prescribed legislation and delegated authorities.

Audit Committee meetings

The Audit Committee has met on 5 separate occasions during the financial year. The Audit Committee meets at least 4 times per annum.

Audit committee

During the financial year the audit committee was composed as follows:

1. Adv Letsepe Thubakgale (Chairperson Audit and Performance)
2. Siyakhula Simelane (Member Audit and Performance committee; and Chairperson Risk Committee)
3. Adv Tebogo Martin Malatji (Member Audit and Performance committee)
4. Joseph Nakedi Mpjane (Member Audit and Performance committee)

8. Bankers

The municipality banks primarily with First National Bank Limited.

9. Auditors

Auditor General South Africa will continue in office for the next financial period.

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Annual Financial Statements for the year ended 30 June 2016

Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	2016	2015 Restated*
Assets			
Current Assets			
Inventories	10	565,333	653,606
Short-term investment	7	100,000,000	-
Operating lease asset	8	1,643,043	155,162
Receivables from exchange transactions	11	272,556	2,204,703
Receivables from non-exchange transactions	12	20,125,825	16,509,360
VAT receivable	13	12,683,949	1,198,325
Consumer debtors from exchange transactions	14	25,139,960	18,063,155
Consumer debtors from non-exchange transactions	14	74,492,775	50,484,667
Cash and cash equivalents	16	98,127,527	185,487,758
		333,050,968	274,756,738
Non-Current Assets			
Investment property	3	139,366,000	138,435,000
Property, plant and equipment	4	1,315,647,925	1,351,144,085
Intangible assets	5	44,841	136,698
Heritage assets	6	963,298	963,298
		1,456,022,064	1,490,679,081
Total Assets		1,789,073,032	1,765,435,819
Liabilities			
Current Liabilities			
Other financial liabilities	17	907,362	835,412
Finance lease obligation	18	28,427	2,183,722
Payables from exchange transactions	21	73,127,267	55,747,178
Unspent conditional grants and receipts	19	22,087,168	39,403,849
Provisions	20	6,143,000	5,370,000
		102,293,224	103,540,161
Non-Current Liabilities			
Other financial liabilities	17	13,831,782	14,756,773
Finance lease obligation	18	323,272	28,321
Operating lease liability	8&44	18,707,889	17,376,463
Employee benefit obligation	9	15,746,000	14,931,000
Provisions	20	9,289,408	7,014,762
		57,898,351	54,107,319
Total Liabilities		160,191,575	157,647,480
Net Assets		1,628,881,457	1,607,788,339
Accumulated surplus		1,628,881,457	1,607,788,339

* See Note 47

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Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	24	9,404,227	10,789,277
Rental of facilities and equipment	39	110,520	420,071
Licences and permits	26	6,053,442	6,723,590
Fees earned	26	480,948	652,491
Services in kind	26	160,396	1,350,590
Other income	27	2,559,868	1,988,750
Interest received - investment	32	11,503,821	6,163,326
Total revenue from exchange transactions		30,273,222	28,088,095
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	81,788,853	75,360,585
Property rates - penalties imposed	23	10,662,038	7,621,393
Transfer revenue			
Government grants & subsidies	25	376,793,760	313,483,339
Traffic fines	26	1,777,825	1,829,100
Total revenue from non-exchange transactions		471,022,476	398,294,417
Total revenue	22	501,295,698	426,382,512
Expenditure			
Employee related costs	29	(103,095,162)	(99,900,392)
Remuneration of councillors	30	(20,542,217)	(18,122,309)
Depreciation and amortisation	34	(105,645,563)	(105,947,021)
Impairment loss/ Reversal of impairments	35	(1,894,254)	(20,692,786)
Finance costs	37	(5,561,470)	(6,051,363)
Lease rentals on operating lease		(14,724,657)	(14,726,180)
Debt Impairment	31	(17,328,345)	(59,799,362)
Repairs and maintenance		(10,130,487)	(5,367,590)
Contracted services	40	(21,725,141)	(19,089,659)
Transfers and Subsidies	42	(4,247,661)	(3,975,541)
General Expenses	28	(179,443,106)	(128,754,555)
Total expenditure		(484,338,063)	(482,426,758)
Operating surplus (deficit)		16,957,635	(56,044,246)
Loss on disposal of assets and liabilities	36	(1,268,995)	(22,138,733)
Fair value adjustments Investment Properties	33	13,261,000	48,790,600
Actuarial gains/losses	9	2,533,000	9,110,000
Investment property written off	41	(12,330,000)	-
		2,195,005	35,761,867
Surplus (deficit) for the year		19,152,640	(20,282,379)

* See Note 47

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	1,628,080,094	1,628,080,094
Adjustments		
Correction of errors	(9,378)	(9,378)
Balance at 01 July 2014 as restated*	1,628,070,716	1,628,070,716
Changes in net assets		
Surplus for the year	(20,282,377)	(20,282,377)
Total changes	(20,282,377)	(20,282,377)
Restated* Balance at 01 July 2015	1,609,728,818	1,609,728,818
Changes in net assets		
Surplus for the year	19,152,639	19,152,639
Total changes	19,152,639	19,152,639
Balance at 30 June 2016	1,628,881,457	1,628,881,457

* See Note 47

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Cash Flow Statement

Figures in Rand	Note(s)	2016	2015 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		110,991,995	9,433,089
Grants		127,684,853	290,331,963
Interest income		11,503,821	6,163,326
		250,180,669	305,928,378
Payments			
Employee costs		(118,594,341)	(114,710,864)
Suppliers		(40,378,546)	(65,048,757)
Finance costs		(5,561,470)	(6,051,363)
		(164,534,357)	(185,810,984)
Net cash flows from operating activities	43	85,646,312	120,117,394
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(71,844,767)	(55,502,084)
Proceeds from sale of property, plant and equipment	4	698,568	-
Proceeds from sale of investment property	3	-	14,971,000
Purchases of heritage assets	6	-	(963,300)
Proceeds from sale/(Purchase) of financial assets		(100,000,000)	85,456,527
Net cash flows from investing activities		(171,146,199)	43,962,143
Cash flows from financing activities			
Repayment of other financial liabilities		(2,007,455)	(2,007,455)
Finance lease payments		(1,860,344)	(2,004,394)
Net cash flows from financing activities		(1,860,344)	(1,877,011)
Net increase/(decrease) in cash and cash equivalents		(87,360,231)	162,202,526
Cash and cash equivalents at the beginning of the year		185,487,758	23,285,232
Cash and cash equivalents at the end of the year	16	98,127,527	185,487,758

* See Note 47

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	9,600,000	-	9,600,000	9,404,227	(195,773)
Rental of facilities and equipment	500,000	-	500,000	110,520	(389,480)
Licences and permits	7,802,000	(200,000)	7,602,000	6,053,442	(1,548,558)
Fees earned	34,000	134,000	168,000	480,948	312,948
Services in kind	-	-	-	160,396	160,396
Other income - (rollup)	13,214,500	(3,213,000)	10,001,500	2,559,868	(7,441,632)
Interest received - investment	3,300,000	3,000,000	6,300,000	11,503,821	5,203,821
Total revenue from exchange transactions	34,450,500	(279,000)	34,171,500	30,273,222	(3,898,278)

Revenue from non-exchange transactions

Taxation revenue

Property rates	67,700,000	4,500,000	72,200,000	81,788,853	9,588,853
Property rates - penalties imposed	6,000,000	(6,000,000)	-	10,662,038	10,662,038

Transfer revenue

Government grants & subsidies	552,383,000	(174,238,000)	378,145,000	376,793,760	(1,351,240)
Fines, Penalties and Forfeits	301,000	200,000	501,000	1,777,825	1,276,825

Total revenue from non-exchange transactions	626,384,000	(175,538,000)	450,846,000	471,022,476	20,176,476
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Total revenue	660,834,500	(175,817,000)	485,017,500	501,295,698	16,278,198
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Expenditure

Personnel	(112,203,000)	(1,850,000)	(114,053,000)	(103,095,162)	10,957,838
Remuneration of councillors	(18,330,000)	-	(18,330,000)	(20,542,217)	(2,212,217)
Depreciation and amortisation	(4,800,000)	-	(4,800,000)	(105,645,563)	(100,845,563)
Impairment loss/ Reversal of impairments	-	-	-	(1,894,254)	(1,894,254)
Finance costs	(1,500,000)	-	(1,500,000)	(5,561,470)	(4,061,470)
Lease rentals on operating lease	(3,000,000)	3,000,000	-	(14,724,657)	(14,724,657)
Bad debts written off	(2,700,000)	2,700,000	-	(17,328,345)	(17,328,345)
Repairs and maintenance	(17,285,000)	2,750,000	(14,535,000)	(10,130,487)	4,404,513
Contracted Services	(29,200,000)	600,000	(28,600,000)	(21,725,141)	6,874,859
Transfers and Subsidies	-	-	-	(4,247,661)	(4,247,661)
General Expenses	(339,504,000)	219,948,000	(119,556,000)	(179,443,106)	(59,887,106)

Total expenditure	(528,522,000)	227,148,000	(301,374,000)	(484,338,063)	(182,964,063)
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Operating surplus	132,312,500	51,331,000	183,643,500	16,957,635	(166,685,865)
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Loss on disposal of assets and liabilities	-	-	-	(1,268,995)	(1,268,995)
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Fair value adjustments	-	-	-	13,261,000	13,261,000
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Actuarial gains/losses	-	-	-	2,533,000	2,533,000
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Inventories losses/write-downs	-	-	-	(12,330,000)	(12,330,000)
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	-	-	-	2,195,005	2,195,005
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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Surplus before taxation	132,312,500	51,331,000	183,643,500	19,152,640	(164,490,860)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	132,312,500	51,331,000	183,643,500	19,152,640	(164,490,860)	

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2016											
Financial Performance											
Property rates	73,700,000	(1,500,000)	72,200,000	-		72,200,000	92,450,891		20,250,891	128 %	125 %
Service charges	9,600,000	-	9,600,000	-		9,600,000	9,404,227		(195,773)	98 %	98 %
Investment revenue	3,300,000	3,000,000	6,300,000	-		6,300,000	11,503,821		5,203,821	183 %	349 %
Transfers recognised - operational	552,383,000	(174,238,000)	378,145,000	-		378,145,000	238,788,217		(139,356,783)	63 %	43 %
Other own revenue	21,851,500	(3,079,000)	18,772,500	-		18,772,500	24,403,999		5,631,499	130 %	112 %
Total revenue (excluding capital transfers and contributions)	660,834,500	(175,817,000)	485,017,500	-		485,017,500	376,551,155		(108,466,345)	78 %	57 %
Employee costs	(112,203,000)	(1,850,000)	(114,053,000)	-	-	(114,053,000)	(103,095,162)	(9,233,167)	10,957,838	90 %	92 %
Remuneration of councillors	(18,330,000)	-	(18,330,000)	-	-	(18,330,000)	(20,542,217)	-	(2,212,217)	112 %	112 %
Debt impairment	(2,700,000)	2,700,000	-			-	(17,328,345)	-	(17,328,345)	DIV/0 %	642 %
Depreciation and asset impairment	(4,800,000)	-	(4,800,000)			(4,800,000)	(107,539,817)	-	(102,739,817)	2,240 %	2,240 %
Finance charges	(1,500,000)	-	(1,500,000)	-	-	(1,500,000)	(5,561,470)	-	(4,061,470)	371 %	371 %
Transfers and grants	-	-	-	-	-	-	(4,247,661)	-	(4,247,661)	DIV/0 %	DIV/0 %
Other expenditure	(388,989,000)	227,298,000	(161,691,000)	-	21,314,504	(140,376,496)	(227,292,386)	(2,241,664)	(86,915,890)	162 %	58 %
Total expenditure	(528,522,000)	228,148,000	(300,374,000)	-	21,314,504	(279,059,496)	(485,607,058)	(11,474,831)	(206,547,562)	174 %	92 %
Surplus/(Deficit)	132,312,500	52,331,000	184,643,500	-		205,958,004	(109,055,903)		(315,013,907)	(53)%	(82)%
Transfers recognised - capital	-	-	-	-		-	138,005,543		138,005,543	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	132,312,500	52,331,000	184,643,500	-		205,958,004	28,949,640		(177,008,364)	14 %	22 %
Surplus/(Deficit) for the year	132,312,500	52,331,000	184,643,500	-		205,958,004	28,949,640		(177,008,364)	14 %	22 %

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Capital expenditure and funds sources											
Total capital expenditure	-	-	-	-		-	119,189,590		119,189,590	DIV/0 %	DIV/0 %

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Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables

The municipality assesses its trade receivables, for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Impairment of Consumer and other receivables

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Accounting Policies

1.1 Impairment of Consumer and Other Receivables (continued)

The calculation in respect of the impairment of debtors is based on the municipality's approved policy on calculation of doubtful debts. In accordance with GRAP 104 (Financial Instruments), an objective assessment of financial assets is made at year end to determine possible impairment. Impairment loss is recognised as an expense in the Statement of Financial Performance. The determination of the impairment loss is guided by the following principles as per GRAP 104 .

The municipality assesses financial assets individually, when assets are individually significant, and individually or collectively for financial assets that are not individually significant. (Individual Debtors' balances that constitute at least 5 percent of the total debtors book are considered to be individually significant by the municipality).

Where no objective evidence of impairment exists for an individually assessed asset (whether individually significant or not), the municipality includes the assets in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in the collective assessment of impairment. As soon as information becomes available that specifically identifies losses on individually impaired assets in a group (that are collectively assessed for impairment), those assets are removed from the group and assessed individually for impairment.

For collective assessment of impairment, as indicated above, assets with similar credit risk characteristics are grouped together. The credit risk characteristics should be indicative of the debtors' ability to pay all amounts due according to the contractual terms.

The method used in determining the group of assets to be assessed for impairment, is a grading process that considers the:

- Debtor type
- Industry
- Past due status (e.g. days/months that the accounts are in arrears);

Consumer debtors are evaluated at the end of the reporting date and impaired as follows:

Debtor type	Percentage of debt provided for as irrecoverable
Negative amounts	0%
Current balances	0%
30to 90 days	50%
More than 90 days	100%
Business and Industrial - always pay	0%
Government Organization	0%
Mines - always pay	0%
Indigent Debtors	100%
Municipal	0%
Handed over	100%

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 20.

The cost of defined benefit pension contribution plans and other employment medical benefits is determined using actuarial valuations.

The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Additional information is disclosed in note 9.

Classification as investment property

The municipality has reviewed its property portfolio and determined which items of land and buildings are held to earn rental revenue or for capital appreciation. Land and buildings fulfilling these requirements have been classified as investment property, whilst the remainder of the portfolio has either been classified as property, plant and equipment or inventory depending on management's intention in dealing with these properties.

Greater Tubatse Municipality

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Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.1 Impairment of Consumer and Other Receivables (continued)

Depreciation and carrying value of items of property, plant and equipment

The estimation of the useful lives of assets is based on management's judgment. Management considers the impact of technology, availability of capital funding, service requirements, and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgment whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

1.2 Investment property

Investment property is initially recognised at cost. Transaction costs are capitalised to the initial cost.

Subsequent to initial measurement investment property is measured at fair value.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

The fair value of investment property reflects estimated market conditions at the reporting date whilst provisional amounts reflect the amounts determined using a reasonable basis such as a valuation roll.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

The fair value of investment property reflects estimated market conditions at the reporting date whilst provisional amounts reflect the amounts determined using a reasonable basis such as a valuation roll.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use.

Property, plant and equipment are initially measured at cost.

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

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Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.3 Property, plant and equipment (continued)

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Land	Indefinite
Buildings	30
Emergency equipment	5-10
Refuse tankers	5-10
Furniture and fixtures	5-10
Motor vehicles	7-10
Office equipment	5-7
IT equipment	5
Infrastructure	5-200
Roads and stormwater	5-150
Refuse	20-50
Buildings	20-100
Recreational facilities	20-30
Security	5-10
Halls	20-30
Libraries	20-30
Parks and gardens	15-20
Other assets	15-30
Other property, plant and equipment	2-100
Specialist vehicles	10-35
Other vehicles	5-30
Office furniture	3-15
Furniture and fittings	5-20
Watercraft	15-30
Bins and containers	5-15
Specialist plant and equipment	5-35
Other plant and equipment	2-25
Landfill sites	20-100
Quarries	20-100
Emergency equipment	5-25
Computer equipment	3-15

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

Greater Tubatse Municipality

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Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.3 Property, plant and equipment (continued)

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.4 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, internally generated	3-10 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

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Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.5 Heritage assets

Heritage assets are not depreciated, as their long economic life and high residual value mean that any depreciation would be immaterial.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

1.6 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:

- Cash and cash equivalents
- Trade receivables
- Financial assets measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis.

Initial recognition and measurement

Financial instruments are initially recognised at fair value including any transactions costs.

Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

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Accounting Policies

1.6 Financial instruments (continued)

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Financial assets impaired through use of an allowance account are recognised in surplus or deficit within operating expenses, when such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Financial instruments designated as at fair value through surplus or deficit

All financial instruments are initially measured at fair value. The financial instruments are subsequently recognised at fair value through profit and loss.

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Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.6 Financial instruments (continued)

Receivables from exchange transactions

Receivables from exchange transactions comprise of:

Consumer debtors

Consumer receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Consumer and other receivables are classified as loans and receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently measured at amortised cost, using the effective interest method.

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand and deposits held on call with bank and short-term highly liquid investments.

Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in surplus or deficit.

Changes in the fair value of derivative financial instruments are recognised in surplus or deficit as they arise.

Derivatives are classified as financial assets at fair value through surplus or deficit - held for trading.

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

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Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.6 Financial instruments (continued)

Payables from exchange transactions

Payables from exchange transactions comprise of:

- Trade payables
- Payments in advance

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

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Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

the rights to receive cash flows from the asset have expired;

the municipality has transferred its rights to receive cash flows from the asset and either

- has transferred substantially all the risks and rewards of the asset, or
- has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.6 Financial instruments (continued)

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
distribution at no charge or for a nominal charge; or
consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

Greater Tubatse Municipality

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Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.8 Inventories (continued)

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.9 Impairment of cash-generating assets

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount. An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Cash generating assets are assets held with the primary objective of generating commercial return.

Non-cash generating assets are assets other than cash-generating assets.

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.10 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

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Accounting Policies

1.10 Impairment of non-cash-generating assets (continued)

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow:
[Specify criteria]

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

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1.10 Impairment of non-cash-generating assets (continued)

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.11 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

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1.12 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

The entity recognise the expected cost of bonus and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

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Accounting Policies

1.12 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other long-term employee benefits

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The cost for each employee is computed at each reporting date based on the probability of being employed at each service award date, taking into account the assumed rates of withdrawal, early retirement and death. On determining this liability due allowance is made for future salary increases. Actuarial gains and losses are recognised in full in the year they are incurred.

The municipality's net obligation in respect of long service awards is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value.

1.13 Leave

The municipality provides employees with time off from work for a variety of reasons. Leave days granted by an employer can accumulate from one period to the next to a maximum of 48 days over two leave cycles.

Leave days accumulate from one period to the next. The municipality recognises a liability and expense for accumulating leave as and when employees render services that entitle them to those leave days. The amount of the liability and expense is determined as the additional amount an entity is required to pay as a result of the unused leave days owing to employees at the end of the reporting period.

1.14 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

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Accounting Policies

1.14 Provisions and contingencies (continued)

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 45.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

changes in the liability is added to, or deducted from, the cost of the related asset in the current period. the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit. if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.9.

If the related asset is measured using the revaluation model:

changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:

- a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
- an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;

in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;

a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

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Accounting Policies

1.14 Provisions and contingencies (continued)

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.15 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and

- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.16 Revenue

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Revenue from non-exchange transactions comprises of:

- Taxes; and

- Transfers (whether cash or non-cash), including grants, debt forgiveness, fines, bequests, gifts, donations, and goods and services in kind.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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Accounting Policies

1.16 Revenue (continued)

Interest

Revenue arising from the use by others of entity assets yielding interest, is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.17 Service charges

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property receiving services. Tariffs are determined per category of property and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Services in kind

GRAP 23 states that an entity shall recognise services in-kind that are significant to its operations and/or service delivery objectives. Where service in-kind is/are not significant to the entity's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the entity shall disclose the nature and type of service in-kind received during the period.

Services in-kind includes services provided by individuals but also includes right of to use of an asset, without charge, but may be subject to stipulations

To the extent that the service in-kind is significant to the operations and/or service delivery objectives of the recipient of such a service in-kind and it meets the criteria for recognition, although there maybe uncertainties surrounding services in-kind, including the ability to exercise control over the services, and measuring the fair value of the services

Revenue is recognised when the asset is recognised.

1.18 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use of sale.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.19 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.20 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and

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Accounting Policies

1.20 Borrowing costs (continued)

expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

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Accounting Policies

1.24 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.25 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by the municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget covers the fiscal period from 01/07/2015 to 30/06/2016.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.26 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.27 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.28 Prior period error

Errors are corrected retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality would restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

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1.28 Prior period error (continued)

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

1.29 Change in accounting policy

Changes in accounting policies due to adoption of newly effective Standards of GRAP have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy or where allowed transitional provisions had been adopted. In such cases the municipality would restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

The main objective of retrospective application is to adjust the financial statements as if the entity had always been applying the accounting policy as in the current year. Therefore, the change must be reflected not only in the current period, but also in the comparative periods' figures shown in the statement of financial position, statement of financial performance, statement of changes in net assets, cash flow statement and notes to the financial statements.

1.30 Value added tax

The municipality accounts for Value Added Tax on a payment basis in accordance with section 15(2)(a) of the VAT Act (Act No 89 of 1991). The municipality is liable to account for VAT at the standard rate (14%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality accounts for VAT on a monthly basis.

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Figures in Rand

2016

2015

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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 105: Transfers of Functions Between Entities Under Common Control

The objective of this standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.

A transfer of functions between entities under common control is a reorganisation and / or reallocation of functions between entities that are ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities under common control, the assets and liabilities should be recognised (by the acquirer) at their carrying amounts and should be derecognised (by the transferor) at their carrying amounts.

The difference between the amount of consideration paid or received, if any, and the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality has adopted the standard for the first time in the 2016 annual financial statements.

The impact of the standard is not material.

GRAP 106: Transfers of Functions Between Entities not Under Common Control

The objective of this standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. A transfer of functions between entities not under common control is a reorganisation and / or reallocation of functions between entities that are not ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities not under common control, the assets and liabilities should be recognised (by the acquirer) at their acquisition date fair values. The difference between the amount of consideration paid, if any, and the carrying amounts of assets acquired and liabilities assumed should be recognised in accumulated surplus / (deficit).

For a transfer of functions between entities not under common control there are some specific recognition and measurement principles and exceptions to the recognition and measurement principles.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality has adopted the standard for the first time in the 2016 annual financial statements.

The impact of the standard is not material .

GRAP 107: Mergers

The objective of this standard is to establish accounting principles for the combined entity and combining entities in a merger. A merger is where a new combined entity is started, acquirer can be identified and the combining entities do not have any control over the combined entity.

In the event of a merger, the assets and liabilities should be recognised (by the combined entity) at their carrying amounts and should be derecognised (by the combining entities) at their carrying amounts. The difference between the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

The effective date of the standard is for years beginning on or after 01 April 2015.

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2. New standards and interpretations (continued)

The municipality has adopted the standard for the first time in the 2016 annual financial statements.

The impact of the standard is not material.

IGRAP 11: Consolidation – Special purpose entities

An entity may be created to accomplish a narrow and well-defined objective (e.g. to effect a lease, research and development activities or a securitisation of financial assets). Such a special purpose entity ('SPE') may take the form of a corporation, trust, partnership or unincorporated entity. SPEs often are created with legal arrangements that impose strict and sometimes permanent limits on the decision-making powers of their management over the operations of the SPE. Frequently, these provisions specify that the policy guiding the ongoing activities of the SPE cannot be modified, other than perhaps by its creator or sponsor (ie they operate on so-called 'autopilot').

The sponsor (or entity on whose behalf the SPE was created) frequently transfers assets to the SPE, obtains the right to use assets held by the SPE or performs services for the SPE, while other parties ('capital providers') may provide the funding to the SPE. An entity that engages in transactions with an SPE (frequently the creator or sponsor) may in substance control the SPE. A beneficial interest in an SPE may, for example, take the form of a debt instrument, an equity instrument, a participation right, a residual interest or a lease. Some beneficial interests may simply provide the holder with a fixed or stated rate of return, while others give the holder rights or access to other future economic benefits or service potential of the SPE's activities. In most cases, the creator or sponsor (or the entity on whose behalf the SPE was created) retains a significant beneficial interest in the SPE's activities, even though it may own little or none of the SPE's net assets.

The Standard of GRAP on Consolidated and Separate Financial Statements requires the consolidation of entities that are controlled by the reporting entity. However, the Standard of GRAP does not provide explicit guidance on the consolidation of SPEs. The issue is under what circumstances an entity should consolidate an SPE. This interpretation of the Standards of GRAP does not apply to post-employment benefit plans or other long-term employee benefit plans to which the Standard of GRAP on Employee Benefits applies.

A transfer of assets from an entity to an SPE may qualify as a sale by that entity. Even if the transfer does qualify as a sale, the provisions of the Standard of GRAP on Consolidated and Separate Financial Statements and this Interpretation of the Standards of GRAP may mean that the entity should consolidate the SPE. This Interpretation of the Standards of GRAP does not address the circumstances in which sale treatment should apply for the entity or the elimination of the consequences of such a sale upon consolidation.

The effective date of the interpretation is for years beginning on or after 01 April 2015.

The municipality has adopted the interpretation for the first time in the 2016 annual financial statements.

The impact of the interpretation is not material.

IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures

Paragraph .54 in the Standard of GRAP on Interests in Joint Ventures refers to both contributions and sales between a venturer and a joint venture as follows: 'When a venturer contributes or sells assets to a joint venture, recognition of any portion of a gain or loss from the transaction shall reflect the substance of the transaction'. In addition, paragraph 31 in the Standard of GRAP on Interests in Joint Ventures says that 'a jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest'. There is no explicit guidance on the recognition of gains and losses resulting from contributions of non-monetary assets to jointly controlled entities ('JCEs').

Contributions to a JCE are transfers of assets by venturers in exchange for an interest in the net asset in the JCE. Such contributions may take various forms. Contributions may be made simultaneously by the venturers either upon establishing the JCE or subsequently. The consideration received by the venturer(s) in exchange for assets contributed to the JCE may also include cash or other consideration that does not depend on future cash flows of the JCE ('additional consideration').

The issues are:

- when the appropriate portion of gains or losses resulting from a contribution of a non-monetary asset to a JCE in exchange for an interest in the net assets in the JCE should be recognised by the venturer in surplus or deficit;
- how additional consideration should be accounted for by the venturer; and
- how any unrealised gain or loss should be presented in the consolidated

This Interpretation of the Standards of GRAP deals with the venturer's accounting for non-monetary contributions to a JCE in exchange for an interest in the net assets in the JCE that is accounted for using either the equity method or proportionate

Greater Tubatse Municipality

(Registration number Lim 475)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

consolidation.

The effective date of the interpretation is for years beginning on or after 01 April 2015.

The municipality has adopted the interpretation for the first time in the 2016 annual financial statements.

The impact of the interpretation is not material.

GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements

The definition of 'minority interest' has been amended to 'non-controlling interest', and paragraph .60 was added by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

Paragraph .59 was amended by Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107 from the date at which it first applied the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .03, .39, .47 to .50 and added paragraphs .51 to .58 and .61 to .62. An entity shall apply these amendments when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

The effective date of the amendment is for years beginning on or after 01 April 2015.

The municipality has adopted the amendment for the first time in the 2016 annual financial statements.

The impact of the amendment is not material.

GRAP 7 (as revised 2010): Investments in Associates

Paragraphs .03 and .42 were amended by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .22, .28 and .38 and added paragraph .24. An entity shall apply these amendments and addition when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

The effective date of the amendment is for years beginning on or after 01 April 2015.

The municipality has adopted the amendment for the first time in the 2016 annual financial statements.

The impact of the amendment is not material.

GRAP 8 (as revised 2010): Interests in Joint Ventures

Paragraph .04 was amended by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers added paragraph .50 and amended paragraphs .51 and .52. An entity shall apply these amendments and addition when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers

Greater Tubatse Municipality

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Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The effective date of the amendment is for years beginning on or after 01 April 2015.

The municipality has adopted the amendment for the first time in the 2016 annual financial statements.

The impact of the amendment is not material.

Directive 11: Changes in Measurement Bases Following the Initial Adoption of Standards of GRAP

The objective of this directive is to permit the municipality to change its measurement bases following the initial adoption of Standards of GRAP. The change is based on the principles in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. This directive should therefore be read in conjunction with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

In applying paragraph 13(b) of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors, this directive allows the municipality, that has initially adopted the fair value model for investment property or the revaluation model for property, plant and equipment, intangible assets or heritage assets, to change its accounting policy on a once-off basis to the cost model when the municipality elects to change its accounting policy following the initial adoption of these Standards of GRAP. The once-off change will be allowed when the municipality made an inappropriate accounting policy choice on the initial adoption of the Standards of GRAP.

Subsequent to the application of this directive, the municipality will be allowed to change its accounting policy in future periods subject to it meeting the requirements in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The effective date of the directive is for years beginning on or after 01 April 2015.

The municipality has adopted the directive for the first time in the 2016 annual financial statements.

The impact of the directive is not material.

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Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2016 or later periods but are not relevant to its operations:

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

As a minimum, the following are regarded as related parties of the reporting entity:

A person or a close member of that person's family is related to the reporting entity if that person:

- has control or joint control over the reporting entity;
- has significant influence over the reporting entity;
- is a member of the management of the entity or its controlling entity.

An entity is related to the reporting entity if any of the following conditions apply:

- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
- one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
- both entities are joint ventures of the same third party;
- one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
- the entity is controlled or jointly controlled by a person identified in (a); and
- a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

Greater Tubatse Municipality

(Registration number Lim 475)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard. It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity. It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard. It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the standard is not yet set by the Minister of Finance.

Greater Tubatse Municipality

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Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard. It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 16 (as amended 2015): Investment Property

Based on the feedback received as part of the post-implementation review, the Board agreed to reconsider certain principles in GRAP 16 and GRAP 17. In particular, the Board agreed to:

- Review the principles and explanations related to the distinction between investment property and property, plant and equipment.
- Consider whether an indicator-based assessment of useful lives of assets could be introduced.
- Clarify the wording related to the use of external valuers.
- Introduce more specific presentation and disclosure requirements for capital work-in-progress.
- Review the encouraged disclosures and assess whether any should be made mandatory or deleted.
- Require separate presentation of expenditure incurred on repairs and maintenance in the financial statements.

Various amendments were made to the Standard, affecting Definitions, Identification, Disclosure, Effective date and Transitional provisions.

The effective date of the standard is for years beginning on or after 01 April 2016.

The municipality expects to adopt the standard for the first time in the 2017 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 17 (as amended 2015): Property, Plant and Equipment

Based on the feedback received as part of the post-implementation review, the Board agreed to reconsider certain principles in GRAP 16 and GRAP 17. In particular, the Board agreed to:

- Review the principles and explanations related to the distinction between investment property and property, plant and equipment.
- Consider whether an indicator-based assessment of useful lives of assets could be introduced.
- Clarify the wording related to the use of external valuers.
- Introduce more specific presentation and disclosure requirements for capital work-in-progress.
- Review the encouraged disclosures and assess whether any should be made mandatory or deleted.
- Require separate presentation of expenditure incurred on repairs and maintenance in the financial statements.

Amendments identified as part of the post-implementation review, affected the following areas:

- Indicator-based assessment of the useful lives of assets
- Use of external valuers
- Encouraged disclosures
- Capital work-in-progress
- Expenditure incurred on repairs and maintenance

The effective date of the standard is for years beginning on or after 01 April 2016.

The municipality expects to adopt the standard for the first time in the 2017 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

Greater Tubatse Municipality

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Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard. It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 21 (as amended 2015): Impairment of non-cash-generating assets

The Board agreed to include a research project on its work programme to review GRAP 21 and GRAP 26 to assess whether the principles in these Standards could be simplified and streamlined. As part of its research project, the Board considered the following aspects which led to the proposed amendments included in this Exposure Draft:

- simplifying the approach to impairment to make it clearer when an asset is cash generating or non-cash-generating;
- assessing the feasibility of one measurement approach for non-cash-generating assets; and
- assessing the feasibility of combining the two Standards.

Summary of changes:

The changes to the Standard of GRAP on Impairment of Non-cash-generating Assets are outlined below:

General definitions:

The definition of cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of cash-generating assets and non-cash-generating assets.

Cash generating assets and non-cash-generating assets:

Additional commentary has been added to clarify the objective of cash-generating assets and non-cash-generating assets.

Identifying an asset that may be impaired:

Additional commentary has been added to clarify that physical damage triggers impairment of an asset when it results in a permanent or a significant decline in the potential of an asset.

Reversing an impairment loss:

An indicator has been added that the restoration of an asset's service potential following physical damage to the asset could indicate a reversal in an impairment loss.

Additional commentary has been added to clarify that restoration of an asset's service potential as a result of physical damage is an indication that an impairment loss recognised in prior periods may no longer exist or may have decreased.

Disclosures:

The requirement to disclose the criteria developed to distinguish non-cash-generating assets from cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of non-cash-generating assets and cash generating assets.

The effective date of the standard is for years beginning on or after 01 April 2017.

The municipality expects to adopt the standard for the first time in the 2018 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 26 (as amended 2015): Impairment of cash-generating assets

The Board agreed to include a research project on its work programme to review GRAP 21 and GRAP 26 to assess whether the principles in these Standards could be simplified and streamlined. As part of its research project, the Board considered the following aspects which led to the proposed amendments included in this Exposure Draft:

- simplifying the approach to impairment to make it clearer when an asset is cash generating or non-cash-generating;
- assessing the feasibility of one measurement approach for non-cash-generating assets; and
- assessing the feasibility of combining the two Standards.

Greater Tubatse Municipality

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Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Summary of changes:

The changes to the Standard of GRAP on Impairment of Cash-generating Assets are outlined below:

General definitions:

The definitions of cash-generating assets and cash-generating unit have been amended to be consistent with the amendments made to clarify the objective of cash-generating assets and non-cash-generating assets below.

Cash generating assets and non-cash-generating assets:

Additional commentary has been added to clarify the objective of cash-generating assets and non-cash-generating assets.

Disclosures:

The requirement to disclose the criteria developed to distinguish cash-generating assets from non-cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of non-cash-generating assets and cash-generating assets.

The effective date of the standard is for years beginning on or after 01 April 2017.

The municipality expects to adopt the standard for the first time in the 2018 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities

Historically, public entities have prepared financial statements in accordance with generally recognised accounting practice, unless the Accounting Standards Board (the Board) approved the application of generally accepted accounting practice for that entity. "Generally accepted accounting practice" has been taken to mean Statements of Generally Accepted Accounting Practice (Statements of GAAP), or for certain entities, International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board. Since Statements of GAAP have been withdrawn from 1 December 2012, public entities will be required to apply another reporting framework in the future.

The purpose of this Directive is to prescribe the criteria to be applied by public entities in selecting and applying an appropriate reporting framework.

The effective date of the standard is for years beginning on or after 01 April 2018.

The municipality expects to adopt the standard for the first time in the 2019 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Greater Tubatse Municipality

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Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

3. Investment property

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	139,366,000	-	139,366,000	138,435,000	-	138,435,000

Reconciliation of investment property - 2016

	Opening balance	Written off	Fair value adjustments	Total
Investment property	138,435,000	(12,330,000)	13,261,000	139,366,000

Reconciliation of investment property - 2015

	Opening balance	Disposals	Transfers	Fair value adjustments	Total
Investment property	120,255,400	(14,971,000)	(15,640,000)	48,790,600	138,435,000

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Details of valuation

The effective date of the fair valuation(s) was 30 June 2016. Fair valuations were performed by an independent valuer, Engnet Solutions, who are not connected to the municipality and have recent experience in location and categorisation of the investment property being valued.

Greater Tubatse Municipality

(Registration number Lim 475)

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	111,295,392	-	111,295,392	111,295,392	-	111,295,392
Buildings	10,467,000	(2,443,539)	8,023,461	10,467,000	(2,096,250)	8,370,750
Plant and machinery	15,541,081	(6,127,908)	9,413,173	15,172,135	(5,180,033)	9,992,102
Furniture and fixtures	5,521,777	(3,654,214)	1,867,563	5,226,129	(3,054,890)	2,171,239
Motor vehicles	3,394,331	(1,740,557)	1,653,774	3,339,194	(1,662,465)	1,676,729
Office equipment	1,617,463	(724,309)	893,154	1,206,908	(472,591)	734,317
IT equipment	6,471,576	(3,472,217)	2,999,359	5,651,757	(2,454,825)	3,196,932
Infrastructure	1,511,365,904	(450,273,031)	1,061,092,873	1,485,119,082	(348,990,934)	1,136,128,148
Community	35,832,623	(3,177,150)	32,655,473	15,756,311	(2,182,786)	13,573,525
Work In Progress	85,310,146	-	85,310,146	63,518,239	-	63,518,239
Other assets	833,665	(390,108)	443,557	799,218	(312,506)	486,712
Total	1,787,650,958	(472,003,033)	1,315,647,925	1,717,551,365	(366,407,280)	1,351,144,085

Reconciliation of property, plant and equipment - 2016

Greater Tubatse Municipality

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Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

	Opening balance	Additions	Finance lease asset addition	Disposals	Transfers	Depreciation/ Impairment	Total
Land	111,295,392	-	-	-	-	-	111,295,392
Buildings	8,370,750	-	-	-	-	(347,289)	8,023,461
Plant and machinery	9,992,103	690,133	-	(321,187)	-	(947,876)	9,413,173
Furniture and fixtures	2,171,238	369,651	-	(37,772)	-	(635,554)	1,867,563
Motor vehicles	1,676,730	1,205,590	-	(686,411)	-	(542,135)	1,653,774
Office equipment	734,317	475,630	-	(58,910)	-	(257,883)	893,154
IT equipment	3,196,932	604,620	324,656	(121,457)	-	(1,005,392)	2,999,359
Infrastructure	1,136,128,148	-	-	-	26,246,820	(101,282,096)	1,061,092,872
Community buildings	13,573,525	-	-	-	20,076,312	(994,364)	32,655,473
Work in progress	63,518,239	68,115,040	-	-	(46,323,133)	-	85,310,146
Other assets	486,712	59,447	-	(11,087)	-	(91,515)	443,557
	1,351,144,086	71,520,111	324,656	(1,236,824)	(1)	(106,104,104)	1,315,647,924

Greater Tubatse Municipality

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Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers	Other changes	Prior year adjustments	Depreciation/ Impairment	Total
Land	118,575,492	-	(7,862,800)	-	582,700	-	-	111,295,392
Buildings	4,157,591	-	(3,412,529)	-	-	7,732,539	(106,851)	8,370,750
Plant and machinery	11,243,312	67,535	-	-	-	785	(1,319,529)	9,992,103
Furniture and fixtures	2,708,586	-	-	-	-	26,426	(563,774)	2,171,238
Motor vehicles	1,515,920	689,728	-	-	-	26,791	(555,709)	1,676,730
Office equipment	608,963	270,283	-	-	-	3,521	(148,450)	734,317
IT equipment	3,605,521	479,058	-	-	-	(82,351)	(805,296)	3,196,932
Infrastructure	1,239,432,149	22,560	(206,312)	16,428,945	-	570,743	(120,119,937)	1,136,128,148
Community buildings	25,313,071	30,000	(10,657,091)	-	-	-	(1,112,455)	13,573,525
Work in progress	25,496,644	53,912,920	-	(16,428,945)	-	537,620	-	63,518,239
Other assets	1,501,556	30,000	-	-	-	(963,300)	(81,544)	486,712
	1,434,158,805	55,502,084	(22,138,732)	-	582,700	7,852,774	(124,813,545)	1,351,144,086

Greater Tubatse Municipality

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Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
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4. Property, plant and equipment (continued)

Pledged as security

Leased motor vehicles as self-secured in that they are used as security for the loans which were taken to fund them. The carrying value of assets that have been pledged as security:

Motor vehicles	-	3,623,966
The terms of the agreement are such that the lessor would retain ownership of the vehicles until the loan is fully paid. More details of the loan are disclosed under finance leases.		

Assets subject to finance lease (Net carrying amount)

Motor vehicles	3,477,127	3,515,920
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Other information

Property, plant and equipment fully depreciated and still in use (Gross carrying amount)

Computer Equipment	-	18,202
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5. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Intangible assets	173,500	(128,659)	44,841	282,561	(145,863)	136,698

Reconciliation of intangible assets - 2016

	Opening balance	Disposals	Amortisation	Total
Intangible assets	136,698	(32,172)	(59,685)	44,841

Reconciliation of intangible assets - 2015

	Opening balance	Amortisation	Total
Intangible assets	230,884	(94,186)	136,698

Greater Tubatse Municipality

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Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
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6. Heritage assets

	2016			2015		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	963,300	-	963,300	963,300	-	963,300

Reconciliation of heritage assets 2016

	Opening balance	Total
Art Collections, antiquities and exhibits	963,300	963,300

7. Short-term investment

Designated at fair value

Nedbank 92 days -037881096004/00026

As at 30 June 2016, the investment had accrued interest of R1,753,643.84. The interest was capitalised after year-end.

Total other financial assets	100,000,000	-
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Current assets

Designated at fair value	100,000,000	-
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8. Operating lease asset (accrual)

Current assets	1,643,043	155,162
Non-current liabilities	(18,707,889)	(17,376,463)
	(17,064,846)	(17,221,301)

9. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(14,931,000)	(21,264,000)
Actuarial (gains) losses	2,000,000	8,816,000
Current service cost	(1,559,000)	(1,356,000)
Interest cost	(1,435,000)	(1,151,000)
Benefits paid	179,000	24,000
	(15,746,000)	(14,931,000)

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	14,931,000	21,264,000
Net expense recognised in the statement of financial performance	815,000	(6,333,000)
	15,746,000	14,931,000

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9. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

Current service cost	1,559,000	1,356,000
Interest cost	1,435,000	1,151,000
Actuarial (gains) losses	(2,000,000)	(8,816,000)
Settlement	(179,000)	(24,000)
	815,000	(6,333,000)

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	(2,000,000)	(8,816,000)
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Defined contribution plan

It is the policy of the municipality to provide post employment medical aid benefits to all its employees. A post employment medical aid defined contribution provident fund, which is subject to the Pensions Fund Act exists for this purpose. It is the policy of the municipality to provide retirement benefits to all its employees as per employee defined benefits on their specific relevant contracts.

The municipality is under no obligation to cover any unfunded benefits.

10. Inventories

Consumables	565,333	653,606
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11. Receivables from exchange transactions

Sundry debtors	272,521	-
WSP Sekhukhune District Municipality	35	-
Traffic licensing debtor	-	2,204,703
	272,556	2,204,703

12. Receivables from non-exchange transactions

Traffic Fines	607,603	464,614
Other receivables	19,518,222	16,044,746
	20,125,825	16,509,360

13. VAT receivable

VAT	12,683,949	1,198,325
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The VAT is disclosed as a receivable of R12,126,026 (2015: R1,551,998).

14. Consumer debtors

Gross balances

Rates	130,037,692	106,626,710
Refuse	16,328,053	18,181,869
Other	29,713,201	3,035,004
	176,078,946	127,843,583

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14. Consumer debtors (continued)		
Less: Allowance for impairment		
Rates	(55,544,917)	(56,142,043)
Refuse	(7,412,427)	(2,702,587)
Other	(13,488,867)	(451,129)
	(76,446,211)	(59,295,759)
Net balance		
Rates	74,492,775	50,484,667
Refuse	8,915,626	15,479,282
Other	16,224,334	2,583,875
	99,632,735	68,547,824
Rates		
Current (0 -30 days)	5,538,981	5,195,154
31 - 60 days	4,114,989	4,015,089
61 - 90 days	3,167,458	2,752,163
91 - total days	117,216,264	94,664,304
	130,037,692	106,626,710
Refuse		
Current (0 -30 days)	892,340	774,985
31 - 60 days	803,455	600,894
61 - 90 days	605,001	496,368
91 - total days	14,027,257	16,309,622
	16,328,053	18,181,869
Other		
Current (0 -30 days)	126,888	125,242
31 - 60 days	53,095	40,062
61 - 90 days	44,353	40,286
91 - 120 days	29,488,865	2,829,414
	29,713,201	3,035,004
Reconciliation of allowance for impairment		
Balance at beginning of the year	(59,295,759)	(39,326,948)
Contributions to allowance	(17,150,453)	(19,968,811)
	(76,446,212)	(59,295,759)
Consumer debtors pledged as security		
None of the consumer debtors were pledged as security.		
15. Consumer debtors by customer classification		
Domestic		
Current (0 -30 days)	(98,142)	3,490,321
31 - 60 days	1,951,493	1,198,975
61 - 90 days	46,385,450	30,684,570
	48,238,801	35,373,866

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15. Consumer debtors by customer classification (continued)

Business and Industrial

Current (0 -30 days)	2,604,024	3,170,054
31 - 60 days	846,343	686,587
61 - 90 days	10,434,869	5,723,082
	13,885,236	9,579,723

Government

Current (0 -30 days)	133,417	1,830,797
31 - 60 days	962,984	746,912
61 - 90 days	94,951,587	65,679,986
	96,047,988	68,257,695

Other

Current (0 -30 days)	2,274,409	2,109,357
31 - 60 days	712,793	604,129
61 - 90 days	7,627,918	4,552,974
	10,615,120	7,266,460

Grand Total

Domestic	48,238,802	35,373,866
Business and Industrial	13,885,236	9,579,082
Government	96,047,988	68,257,695
Other	10,615,120	7,266,460
	168,787,146	120,477,103

16. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	20,594,985	111,947,800
Other cash and cash equivalents	77,532,541	73,539,958
	98,127,526	185,487,758

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16. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
FNB BANK - CALL ACCOUNT - 620-623-0699	36,062	35,482	34,854	36,062	35,482	34,854
FNB BANK - CHEQUE ACCOUNT - 565-500-22466	39,559,766	34,571,346	5,081,499	20,594,985	111,947,800	825,104
FNB BANK - BUSINESS MONEY MARKE - 621-714-33982	196,154	187,074	173,311	196,154	187,075	173,311
FNB BANK - CALL ACCOUNT -620-275-10818	15,804,056	15,059,267	32,746,953	15,804,056	15,059,267	32,746,953
FNB BANK - CALL ACCOUNT - 616-550-0887	75,176	72,409	71,715	75,176	73,529	71,715
NEDBANK - 90DAYS NOTICE - 7881096004/0024	61,749,234	1,383,207	52,315,173	61,421,094	1,383,207	52,429,694
FNB BANK - CHEQUE ACCOUNT - 620-973-4319 - GTM LIMPOPO P.H.P	-	-	11,944	-	-	-
NEDBANK - CALL DEPOSIT - 3788-1096-004-24	-	56,801,398	-	-	56,801,398	-
Total	117,420,448	108,110,183	90,435,449	98,127,527	185,487,758	86,281,631

17. Other financial liabilities

At amortised cost

DBSA LOAN 102904/1&2	9,315,562	9,772,970
Loan 102904/1 - Interest bearing at a rate of 10.415% per annum over a loan period of 20 years.		
Loan 102904/2 - Interest bearing at a rate of 5% per annum over a loan period of 20 years.		
DBSA LOAN 13585/102	5,423,582	5,819,215
Loan 13585/102 - Interest bearing at a rate of 5% per annum over a loan period of 20 years.		
Total financial liabilities	14,739,144	15,592,185

Total other financial liabilities	14,739,144	15,592,185
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Non-current liabilities

At amortised cost	13,831,782	14,756,773
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Current liabilities

At amortised cost	907,362	835,412
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18. Finance lease obligation		
Minimum lease payments due		
- within one year	28,427	2,289,828
- in second to fifth year inclusive	-	28,536
	28,427	2,318,364
less: future finance charges	-	(106,321)
Present value of minimum lease payments	28,427	2,212,043
Present value of minimum lease payments due		
- within one year	28,427	2,183,722
- in second to fifth year inclusive	-	28,321
	28,427	2,212,043
Non-current liabilities	323,272	28,321
Current liabilities	28,427	2,183,722
	351,699	2,212,043

It is municipality policy to lease plant and equipment under finance leases.

The average lease term was 3-5 years and the average effective borrowing rate was 9.25%.

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer to note 4.

19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Neighbourhood Development Partnership Grant	-	3,734,790
MSIG Grant	-	836,000
FMG Grant	-	669,448
EPWP Grant	46,035	94,934
MIG Grant	22,041,134	34,068,677
	22,087,169	39,403,849

Movement during the year

Balance at the beginning of the year	39,553,395	-
Additions during the year	127,684,853	170,776,981
Income recognition during the year	(145,151,080)	(131,373,132)
	22,087,168	39,403,849

See note 25 for reconciliation of grants from National/Provincial Government.

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20. Provisions

Reconciliation of provisions - 2016

	Opening Balance	Additions	Actuarial (gains) losses	Actual benefit payments	Total
Environmental rehabilitation	7,014,762	2,274,646	-	-	9,289,408
Long service leave provision	5,370,000	1,127,000	(42,000)	(312,000)	6,143,000
	12,384,762	3,401,646	(42,000)	(312,000)	15,432,408

Reconciliation of provisions - 2015

	Opening Balance	Additions	Reversed during the year	Actuarial (gains)/losses	Actual benefit payments	Total
Environmental rehabilitation	6,073,897	940,865	-	-	-	7,014,762
Provision for performance bonus	678,536	-	(678,536)	-	-	-
Long service leave provision	4,919,000	889,000	-	(294,000)	(144,000)	5,370,000
	11,671,433	1,829,865	(678,536)	(294,000)	(144,000)	12,384,762

Non-current liabilities	9,289,408	7,014,762
Current liabilities	6,143,000	5,370,000
	15,432,408	12,384,762

Environmental rehabilitation provision

The landfill site was full as at 30 June 2016 thus the Landfill rehabilitation and closure cost of R9,289,408 as determined by the actuaries as at 30 June 2016 was fully recognised in the 2016 AFS. It is expected that the provision will be utilised in the 2016-17 financial year for the land rehabilitation and closure costs.

21. Payables from exchange transactions

Trade payables	44,208,454	25,597,152
Accrued leave pay	7,101,006	6,774,912
Accrued bonus	2,267,409	2,378,208
Retention creditors	11,096,900	7,891,230
Other payables	1,162,048	5,739,488
Consumer debtors in credit	7,291,450	7,366,188
	73,127,267	55,747,178

22. Revenue

Service charges	9,404,227	10,789,277
Rental of facilities and equipment	110,520	420,071
Licences and permits	6,053,442	6,723,590
Fees earned	480,948	652,491
Other income - Services in Kind	160,396	1,350,590
Other income	2,559,868	1,988,750
Interest received - investment	11,503,821	6,163,326
Property rates	81,788,853	75,360,585
Property rates - penalties imposed	10,662,038	7,621,393
Government grants & subsidies	376,793,760	313,483,339
Fines, Penalties and Forfeits	1,777,825	1,829,100
	501,295,698	426,382,512

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22. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	9,404,227	10,789,277
Rental of facilities and equipment	110,520	420,071
Licences and permits	6,053,442	6,723,590
Fees earned	480,948	652,491
Other income - Services in Kind	160,396	1,350,590
Other income	2,559,868	1,988,750
Interest received - investment	11,503,821	6,163,326
	30,273,222	28,088,095

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue

Property rates	81,788,853	75,360,585
Property rates - penalties imposed	10,662,038	7,621,393

Transfer revenue

Government grants & subsidies	376,793,760	313,483,339
Fines, Penalties and Forfeits	1,777,825	1,829,100
	471,022,476	398,294,417

Nature and type of services in-kind are as follows:

Municipal Manager

Mr M Moja was seconded to the municipality as Acting Municipal Manager by COGHSTA, from 8 September 2014 to 28 April 2015 as the position was not filled.

Chief Financial Officer

Mr D Mhangwana was seconded to the municipality as Acting CFO by COGHSTA, from 8 September 2014 to 30 October 2015 as the position was not filled.

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23. Property rates

Rates received

Residential	86,225,760	78,171,529
Less: Income forgone	(4,436,907)	(2,810,944)
	81,788,853	75,360,585
Property rates - penalties imposed	10,662,038	7,621,393
	92,450,891	82,981,978

Valuations

Residential	2,316,089,000	2,289,685,000
Commercial	1,683,366,000	1,664,866,000
Government	949,792,000	949,792,000
Municipal	59,952,600	56,952,600
Small holdings and farms	1,094,086,000	1,086,186,000
Schools	28,600,000	28,600,000
Mines	460,400,000	433,400,000
Churches	24,835,000	24,835,000
	6,617,120,600	6,534,316,600

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2011. The municipality requested an extension the validity of the valuation roll from the office of the MEC of Local Government. The extension was granted. Supplementary valuations are processed on a need basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate is applied to property valuations to determine assessment rates. Rebates of 30% are granted to residential and state property owners.

Rates are levied on an annual basis and paid on monthly basis with the final date for payment being 30 June 2016. Interest at prime plus 1% per annum and a collection fee of is levied on rates outstanding two months after due date.

24. Service charges

Refuse removal	9,404,227	10,789,277
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Figures in Rand	2016	2015
25. Government grants and subsidies		
Operating grants		
Equitable share	234,838,172	181,634,000
Municipal Systems Improvement Programme Grant	930,000	98,000
EPWP	1,182,965	1,269,066
FMG	1,675,000	930,552
LG Seta - Training	162,079	-
	238,788,216	183,931,618
Capital grants		
Municipal Infrastructure Grant	63,005,543	62,676,322
INEP Grant	70,000,000	60,610,189
Neighbourhood Development Grant	5,000,000	6,265,210
	138,005,543	129,551,721
	376,793,759	313,483,339

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive 100% subsidy on a monthly basis for rates and refuse, which is funded from the grant.

INEP Grant

Current-year receipts	70,000,000	(60,000,000)
Conditions met - transferred to revenue	(70,000,000)	60,000,000
	-	-

Conditions met - see receivables from non-exchange (see note 12)

The grant is used for electrification acceleration projects. No funds were withheld.

FMG

Balance unspent at beginning of year	669,448	-
Current-year receipts	1,675,000	1,600,000
Conditions met - transferred to revenue	(1,675,000)	(930,552)
Balance returned to National Treasury	(669,448)	-
	-	669,448

Conditions still to be met - remain liabilities (see note 19)

The grant is used to cater for the finance management interns, their training and any other financial management reforms. The 2015 unspent balance was repaid to National Treasury.

MSIG

Balance unspent at beginning of year	836,000	-
Current-year receipts	930,000	934,000
Conditions met - transferred to revenue	(930,000)	(98,000)
Balance returned to National Treasury	(836,000)	-
	-	836,000

Conditions still to be met - remain liabilities (see note 19)

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25. Government grants and subsidies (continued)

This grant is used to assist the municipality with building in-house capacity to perform their functions and stabilise institutional and governmental systems. The 2015 unspent balance was repaid to National Treasury.

EPWP

Balance unspent at beginning of year	94,934	-
Current-year receipts	1,229,000	1,364,000
Conditions met - transferred to revenue	(1,182,965)	(1,269,066)
Balance returned to National Treasury	(94,934)	-
	46,035	94,934

Conditions still to be met - remain liabilities (see note 19)

The grant is used for salaries of employees for the Extended Public Works Programme. The 2015 unspent balance was repaid to National Treasury.

MIG

Balance unspent at beginning of year	34,068,677	-
Current-year receipts	48,850,853	96,745,000
Conditions met - transferred to revenue	(60,878,396)	(62,676,323)
	22,041,134	34,068,677

Conditions still to be met - remain liabilities (see note 19)

This grant is for the implementation of projects approved by MIG.

NDP Grant

Balance unspent at beginning of year	3,734,790	-
Current-year receipts	5,000,000	10,000,000
Conditions met - transferred to revenue	(5,000,000)	(6,265,210)
Transferred back to National Treasury	(3,734,790)	-
	-	3,734,790

Conditions still to be met - remain liabilities (see note 19)

The grant is used to enhance economic development projects including Burgersfort and Practiseer Hawkers Facilities. The 2015 unspent balance was repaid to National Treasury.

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26. Other revenue		
Fees earned	480,948	652,491
Fines, Penalties and Forfeits	1,777,825	1,829,100
Other income - Services in Kind	160,396	1,350,590
Other income	2,559,868	1,988,750
Licences and permits	6,053,442	6,723,590
	11,032,479	12,544,521
27. Other income		
Outdoor Advertisement	1,773,887	1,307,065
Sundry Income	785,981	510,002
Insurance claim received	-	171,684
	2,559,868	1,988,751
28. General expenses		
Allowances traditional leaders	253,330	368,799
Advertisements	745,764	686,347
Refurbishment	-	461,010
Auditors remuneration	4,146,835	3,033,678
Bank charges	395,970	345,659
MSIG - Implementation of GRAP standards	824,564	98,000
Land use management scheme	186,970	467,886
Consulting and professional fees	12,332,278	12,205,209
Debt collection	372,850	742,341
LED Strategy	1,537	1,151,586
Electrification projects	123,956,632	55,965,643
Entertainment	573,136	595,884
Insurance	476,973	441,927
IT management	2,081,163	3,273,227
Promotions and sponsorships	458,548	-
Magazines, books and periodicals	164,043	255,816
EPWP - Implementation of grant	1,182,965	1,269,066
Fuel and oil	740,128	1,394,977
Printing and stationery	750,511	493,215
Protective clothing	129,087	198,813
Royalties and license fees	34,168	80,353
Occupational health and safety	346,957	706,935
Employee wellness	368,431	302,818
Subscriptions and membership fees	1,338,851	885,054
Telephone and fax	1,335,827	1,125,016
Training	42,500	530,415
Travel - local	6,371,267	7,545,536
Refuse	24,131	15,226
Special programs	(1,985,622)	3,450,555
Ward committee	3,512,871	3,448,400
Skills development program	490,725	1,046,937
Implementation of FMG grant	1,674,999	930,552
Hawker's fees	(438,139)	3,102,315
Billing charges	161,387	13,655,091
Other expenses	13,368,791	5,279,959
Rent of equipment and offices	3,022,676	3,200,310
	179,443,104	128,754,555

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29. Employee related costs		
Basic	62,502,109	58,345,343
Medical aid - company contributions	5,091,479	4,425,325
UIF	420,683	416,784
Industrial council levy	21,143	23,608
Skills development levy	836,175	762,681
Leave pay provision charge	467,999	2,888,315
Defined contribution plans	12,134,245	11,297,921
Overtime payments	2,107,590	2,054,925
Long-service bonus provision	614,000	451,000
13th Cheques	4,719,307	6,121,656
Acting allowances	160,396	1,350,590
Car allowance	10,721,034	9,255,173
Housing benefits and allowances	878,450	392,666
Telephone allowance	860,833	734,266
Other allowance	720	21,010
Standby allowance	-	3,128
Post Employment Health Care Benefit Current Cost	1,559,000	1,356,000
	103,095,163	99,900,391

Remuneration of Municipal Manager

Salary	1,118,826	1,238,563
Acting allowance	-	162,590
Car allowance	144,000	-
Telephone allowance	19,428	-
Travel claim	98,216	-
Subsistence allowance	1,620	1,120
Housing allowance	2,337	-
Settlement	309,641	-
	1,694,068	1,402,273

Mr Mohlala JNT was appointed on 1 July 2015 after the secondment term of Mr Moja MM from COGHSTA ended on 28 April 2015. A settlement amount of R309,641 was paid to former Municipal Manager Mr Phala HL who left on 31 May 2014.

Remuneration of Chief Finance Officer

Salary	425,225	1,145,359
Acting allowances	-	267,174
Telephone allowance	12,952	-
Car Allowance	180,992	36,268
Travel claim	27,897	-
Leave pay	-	301,152
Other allowance	-	960
SUBsistence allowance	80	-
Acting allowance	132,074	-
	779,220	1,750,913

The position of the Chief Financial Officer was occupied by Mr Mhangwana D, who was seconded from COGHSTA from 8 September 2014 to 30 October 2015. Mr Ratau GT was appointed on 1 November 2015.

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29. Employee related costs (continued)

Remuneration of Corporate and Human Resources (Corporate Services)

Acting allowance	74,963	9,637
Annual Remuneration	26,798	341,392
Car Allowance	-	71,063
Leave pay	-	147,535
Telephone allowance	-	8,095
Travel claim	10,282	-
Subsistence allowance	160	-
	112,203	577,722

The position of Director Corporate Service was vacant from April 2015 to 31 January 2016. Mr Shai NP from Sekhukhune District Municipality has been acting in the position since 1 February 2016.

Remuneration of Community Services

Acting allowance	-	6,473
Annual Remuneration	762,431	434,946
Car Allowance	180,007	50,572
Housing allowance	-	12,000
Leave pay	-	110,209
Subsistence allowance	960	240
Telephone allowance	19,428	9,714
Travel claim	28,644	-
	991,470	624,154

Included in the total is an amount of R309,641 in respect of outstanding leave days which was paid to former Director Mr Boshigo DK who left on 1 March 2015.

Remuneration of Director Technical Services

Acting allowance	31,870	8,416
Salary	618,792	-
Annual Remuneration	-	426,184
Car Allowance	90,000	176,401
Leave pay	-	89,658
Telephone allowance	14,571	-
Travel claim	14,879	-
Subsistence allowance	320	2,400
	770,432	703,059

Mr Malungana M.E was appointed acting Director to 31 August 2015. Mr Skhosana VL was appointed Director on 1 September 2015 and left on 31 May 2016. The position has been vacant since then.

Remuneration of Director Land and Economic Development

Annual Remuneration	874,709	817,944
Car Allowance	191,340	180,000
Telephone allowance	19,428	19,428
Travel claim	9,438	-
Housing allowance	51,836	-
	1,146,751	1,017,372

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Figures in Rand	2016	2015
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30. Remuneration of councillors

Mayor	807,929	756,303
Speaker	650,515	617,690
Councillors	18,472,609	16,167,925
Chief Whip	611,164	580,391
	20,542,217	18,122,309

In-kind benefits

The Mayor, Speaker and Chief Whip are full time and provided with office space and secretarial support at the cost of the Council.

The executive committee consists of full time and part time members.

The Mayor has the right of use of a municipal vehicle including a driver.

Remuneration of Mayor

Car allowance	-	183,859
Cellphone allowance	20,868	-
Salary	590,296	551,576
Travel allowance	196,765	20,868
	807,929	756,303

Remuneration of Speaker

Cellphone allowance	20,868	20,868
Car allowance	157,412	149,205
Salary	472,235	447,617
	650,515	617,690

Remuneration of Chief Whip

Cellphone allowance	20,868	20,868
Car allowance	147,574	139,881
Salary	442,722	419,642
	611,164	580,391

Remuneration of Councillors

Car Allowance	4,575,729	3,758,600
Cellphone allowance	1,278,760	1,180,230
Salary	12,618,120	11,229,095
	18,472,609	16,167,925

31. Debt impairment

Contributions to debt impairment provision	17,328,345	59,799,362
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Figures in Rand	2016	2015
32. Investment revenue		
Interest revenue		
Bank	5,424,050	1,947,898
Interest on investment	6,079,771	4,215,428
	11,503,821	6,163,326
33. Fair value adjustments		
Investment property (Fair value model)	13,261,000	48,790,600
34. Depreciation and amortisation		
Property, plant and equipment	105,645,563	105,947,021
35. Impairment of assets		
Impairments		
Property, plant and equipment	593,388	18,726,561
- Impairment indicators were identified for property, plant and equipment.		
Trade and other receivables	1,300,866	1,453,792
- Impairment relates to fines issued that are not deemed recoverable within next financial year.		
The impairment indicator is based on fine receipts compared to total fines issued during the financial year.		
Other receivables from exchange revenue	-	512,433
- Impairment relates to sundry debtors that are not deemed recoverable within next financial year.		
	1,894,254	20,692,786
36. Loss on disposal of assets		
Loss arising from a change in fair value less point of sale costs	1,268,995	22,138,733
Certain moveable assets were disposed through a public auction on the 17th of July 2015. Proceeds from disposals amounted to R698 568.		
37. Finance costs		
Non-current borrowings	2,274,646	-
Trade and other payables	56,074	2,174,727
Current borrowings	1,282,749	2,455,637
Other interest paid	1,948,000	1,421,000
	5,561,469	6,051,364
38. Auditors' remuneration		
Fees	3,804,389	2,887,370
Audit committee	342,446	146,308
	4,146,835	3,033,678
39. Rental of facilities and equipment		
Premises	110,520	420,071

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40. Contracted services		
Professional services	408,685	9,666,230
Cash collection cost	335,197	309,410
Security services	20,981,259	9,114,019
	21,725,141	19,089,659
41. Investment property written off		
Investment property written off		Amount written off in 2016 12,033,000
Investment Property Write off in 2016		
The write off relate to properties that the municipality cannot prove ownership legally through title deeds.		
42. Grants and subsidies paid		
Other subsidies		
Free Basic Electricity	4,247,661	3,975,541
43. Cash generated from operations		
Surplus (deficit)	19,152,639	(20,282,377)
Adjustments for:		
Depreciation and amortisation	105,645,563	105,947,021
Gain on sale of assets and liabilities	1,268,995	22,138,733
Other non-cash items	(4,945,732)	2,051,980
Fair value adjustments	(13,261,000)	(48,790,600)
Investment property written off	12,033,000	-
Finance costs	5,556,438	6,051,363
Impairment deficit	1,894,254	20,692,786
Debt impairment	17,328,345	59,799,362
Movements in operating lease assets and accruals	(156,456)	943,913
Movements in retirement benefit assets and liabilities	815,000	(6,333,000)
Movements in provisions	3,047,646	713,328
Changes in working capital:		
Inventories	88,273	(653,605)
Receivables from exchange transactions	631,281	(2,221,140)
Consumer debtors	(48,413,255)	(47,875,570)
Other receivables from non-exchange transactions	(3,616,465)	(12,696,280)
Payables from exchange transactions	17,380,090	9,387,633
VAT	(11,485,623)	(3,452,115)
Unspent conditional grants and receipts	(17,316,681)	35,888,281
Consumer deposits	-	(1,192,319)
	85,646,312	120,117,394

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44. Commitments

Authorised capital expenditure not completed

Already contracted for but not provided for

Property, plant and equipment (Computers and vehicles)	7,652,561	-
Facilities	236,518,281	25,569,037
Rural Cemeteries	6,200,000	-
Electrification of villages	-	156,785,000
	250,370,842	182,354,037

Total capital commitments

Already contracted for but not provided for	250,370,842	182,354,037
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Authorised operational expenditure

Already contracted for but not provided for

Catering	226,698	-
Printing and stationery	393,595	-
Repairs and maintenance	977,202	-
Other expenses	240,168	-
Revenue collection	16,407	-
	1,854,070	-

Total operational commitments

Already contracted for but not provided for	1,854,070	-
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This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	18,660,915	16,990,613
- in second to fifth year inclusive	67,944,391	86,628,350
	86,605,306	103,618,963

Greater Tubatse Municipality leases a building from Tubatse Properties (Pty) Ltd for a period of 10 years, effective from 1 July 2010. The lease payment is R877 800 per month with an annual escalation of 10%. No contingent rent is payable. The lease agreement is not renewable at the end of the lease term.

Greater Tubatse Municipality leased a premises from Hannah Trust for a period of 3 years, effective from 1 May 2014. During the 2015-16 financial year the municipality discontinued payments to the lessor as it was no longer utilising the premises, thereby rendering the lease agreement cancelled. The operating lease liability as at 30 June 2015 was therefore written off against accumulated surplus as a prior period error adjustment.

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45. Contingent Liabilities and Assets

The following are the cases lodged with in court with status.

1. Mopicon Costruction VS GTM with claim of R2,000,000 and the matter is awaiting for date of trial
2. Matladi Family Trust vs GTM and Developers with claim of R 540,000 (Development at Leeuvallei land claims court) and the matter is awaiting trial date
3. Loncon Developments (Pty) Ltd vs GTM with claim of R 99,000,0000 (Specific performance or R89 mil) and matter postponed Sine di.
4. GTM vs Molokoane LP (Promotion to level 2) with claim of R900,000.

46. Related parties

Relationships

Directors

Refer to note 29

Councillors

Refer to note 30

The Councillors and Directors are related parties and their transactions are included in note 26 and 27. The municipality has various processes in place to identify and note any related party transactions. These processes range from disclosure by bidders on the bid documents (MBD4) to maintenance of a conflict of interest register. For councillors, the disclosure register is kept in the Office of the Speaker whilst for other senior managers it is kept by the Corporate Services Directorate.

Councillors and Directors are related parties and their transactions are included in the notes to the financial statements.

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Figures in Rand	2016	2015
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47. Prior period errors

1. The 2014-15 13th cheque expense was not accrued for in the 2015-15 financial year, resulting in the overstatement of accumulated surplus by R2,378,208 and understatement of Payables from exchange transactions by the same amount.

2. The operating lease liability was overstated by R255,7485 in the 2014-15 financial year, resulting in the overstatement of accumulated surplus by the same amount.

3. The interest cost on 2015 post employment medical aid benefit and long service awards liabilities amounting to R1,421,000 was erroneously net against Actuarial gains, resulting in understatement of interest cost and actuarial gains by R1,421,000.

4. GTM claimed VAT on VAT-exempt services and zero rated supplies. The Input VAT amount claimed for the year was therefore overstated by R124,529 in the 2014-15 financial year, resulting in the overstatement of accumulated surplus by the same amount.

5. 2013-14 payments and transactions relating to the FNB finance lease assets were misposted to a suspense vote and not cleared in prior years, resulting in understatement of 'Other financial liabilities' and overstatement of Accumulated surplus by R1,394455.

6. The DBSA loan liability was overstated by R1,234,543 in the 2014-15 financial year, resulting in the understatement of accumulated surplus by the same amount.

7. An amount of R283,452 (DBSA loan payment in September 2013) was misposted to Other Payables, resulting in understatement of Creditors by R283,452 and overstatement of Accumulated Surplus by the same amount.

8. The investments were overstated by R114,521 in the 2014-15 financial year, resulting in the overstatement of accumulated surplus by the same amount.

9. The 2014-15 13th cheque expense was not accrued for in the 2014-15 financial year, resulting in the overstatement of accumulated surplus by R2,378,208 and understatement of Payables from exchange transactions by the same amount.

10. The operating lease liability was overstated by R255,7485 in the 2014-15 financial year, resulting in the overstatement of accumulated surplus by the same amount.

11. 2013-14 payments and transactions relating to the FNB finance lease assets were misposted to a suspense vote and not cleared in prior years, resulting in understatement of 'Other financial liabilities' and overstatement of Accumulated surplus by R1,394455.

12. The DBSA loan liability was overstated by R1,234,543 in the 2014-15 financial year, resulting in the understatement of accumulated surplus by the same amount.

13. The investments were overstated by R114,521 in the 2014-15 financial year, resulting in the overstatement of accumulated surplus by the same amount.

14. The interest on the Nebank account # 037881096004/00024 was accrued as R5,744.30 instead of as R5,942.99, resulting in an understatement of investments by R198.69.

15. Payments to the Traffic Department amounting to R1,311,819 were incorrectly processed in the 'Traffic Suspense' vote, resulting in misstatement of both suspense votes by R1,311,819.

16. The accounting records of GTM reflected a balance of R6,361,010 as owed to SDM as at 30 June 2016 although the actual amount owed was Rnil, resulting in overstatement of Other liabilities by R6,361,000 and understatement of Accumulated surplus by the same amount.

17. A service provider was paid R5,691 for service that were not rendered, resulting in overstatement of advertising expense by R4,992, understatement of VAT liability and sundry debtors by R699 and R5,691 respectively.

18. A number of balances, amounting to R13,413,368, that originated in prior financial periods (2013-14 and before) were noted, for which supporting documents cannot be found. Council resolved that the balances be written off against accumulated surplus after all efforts to retrieve the supporting documents were unsuccessful. An adjustment of R13,413,368 was therefore made against Accumulated surplus to write off these balances.

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47. Prior period errors (continued)

19. GTM did not collect the dumping for revenue in previous financial years, resulting in revenue foregone for the municipality of R2,058,464.

20. The 'Asset Management' vote number 9100088010121, amount R58,762.28, which is a balance sheet item, was incorrectly mapped under the Income statement in the 2015 AFS.11, resulting in understatement of Other debtors and overstatement of expenses by R58,762.28.

21. Traffic Department receipts for 2014/2015 amounting to R39,503 were duplicated in error, resulting in overstatement of the Traffic Suspense account and Accumulated surplus by R39,326 and 177 respectively.

22. Reconciling items on the June 2015 bank reconciliation were erroneously reversed in the 2014-15 AFS (not in the Venus accounting system), resulting in overstatement of Cash and cash equivalents by R12,455,688, overstatement of Receivables from non-exchange transactions by R152,635, and overstatement of Other payables by R12,608,323.

23. A Solar Vision (Pty) Ltd invoice amounting to R240,849.12 was not accrued for as at 30/6/2015. This resulted in understatement of creditors and overstatement of accumulated surplus.

24. The payment for the Compensation Fund for 2013-14 was only paid in 2015-16 financial year, and was not accrued for in prior years, resulting in understatement of Other payables and overstatement of accumulated surplus by R535,432.

25. The "DEBTORS CONTROL - VAT ACCRUED" vote was out of balance with R1,241,407 as compared to its mirror vote the "DEBTORS CONTROL - VAT BILLED", resulting in overstatement of accumulated surplus and understatement of Other payables.

26. Input VAT for April to June 2015 was not claimed resulting in understatement of VAT receivable and accumulated surplus by R20,688.

27. A R350 receipt i.r.o water services was not reversed when the water and sanitation function was transferred to Sekhukhune District Municipality resulting in overstatement of accumulated surplus and understatement of creditors by R350.

28. Projects cost amounting to R323,333 were incorrectly were incorrectly expensed in prior year.

29. Increase in PPE (WIP) of R537,619 due to projects initially omitted in WIP.

30. Decrease in Investment Property of R9,700,000 due to reclassification of building to PPE (Buildings).

31. Recognition of profit on Disposal of assets through an Auction which had been erroneously recorded in 2014-15 financial year resulting in misstatement of R704,068.

32. Correction of project costs of R537,619 wrongly expensed in 2015 financial year

33. An increase in Depreciation of R1,644,127 arising from the reclassification of building was recognised retrospectively.

34. A component of Mayoral car purchase price of R58,762 was processed in suspense vote in 2015. (Vehicle was capitalised at correct cost price).

35. Adjustment was made to write off unsubstantiated petty cash balance of R3,999 dating back prior 2012-13 financial year.

36. Adjustment was made for underpayment of traffic revenue collection of R15,197 for April-June 2015 to Department of Roads and Transport.

37. Adjustment was made for 2015 vehicle licencing expense of R12,419 misposted to suspense account.

38. Reversal of 2015 journal of R879,396 that was incorrectly processed in the suspense vote and special programmes expense.

39. Write-off of unsubstantiated prior year amount in Traffic suspense vote of R92,130.

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47. Prior period errors (continued)

40. Adjustment was made to write off unsubstantiated sundry creditors balance of R4,715,997 dating back prior 2011-12 financial year.

41. Adjustment was made to write off unsubstantiated Input VAT balances of R13,950,228 from 2011-12 financial year and before.

42. Adjustment was made to write-off of unsubstantiated sundry debtors balances of R945,579 from 2011-12 financial year.

43. Adjustment of 2,824,480 was made to write off unsubstantiated prior year Retention balance of R2,824,480.

44. VAT on finance lease assets of R353,673 was claimed on behalf of the municipality by VAT Consultants but was not the claim was not recognised in the accounting records.

45. An adjustment was made to write off unsubstantiated Refund control suspense balance of R265 .

46. Adjustment of R128,028 was made to reverse prior year other income receipts that were not cleared from suspense account.

47. An adjustment of R1,350,590 was made to recognise Services in kind revenue i.r.o services rendered by COGHSTA seconded officials.

48. Adjustment was made for underpayment of traffic revenue collection for April-June 2015 to Department of Roads and Transport of R15,197.

49. A stock write-off liability note with a balance of R3,163 was incorrectly recognised under the Statement of Financial Performance.

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Figures in Rand

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47. Prior period errors (continued)

Statement of financial position

Adjustment for overstatement of 2014-15 operating lease liability.	255,748
Adjustment for overstatement of 2014-15 Input VAT.	(124,529)
Adjustment for FNB finance lease payments that were misposted in prior years.	- (1,394,455)
Adjustment for overstatement of DBSA loan liability.	951,090
Adjustment for overstatement of Investments in the 2015 AFS.	(114,521)
Adjustment for understatement of Investments in the 2015 AFS.	199
Adjustment to reverse incorrect SDM liability balance.	6,361,010
Adjustment to write off unsubstantiated old balances per Council resolution.	13,413,368
Adjustment for overstatement of Cash and cash equivalents	(12,455,688)
Adjustment for overstatement of Receivables from non- exchange transactions	(152,635)
Adjustment for overstatement of Other payables	11,757,029
Adjustment to write off unsubstantiated prior year NDP grant balance	15,568
Adjustment to write off unsubstantiated prior year LGSETA grant balance	133,978
Adjustment to write off unsubstantiated prior year interest on late payments	(207,910)
Adjustment to write off prior year interest on late payments	1,274
Adjustment to write off overspent NDP grant balance (reserves were applied in prior years)	(610,189)
Reallocation of underbankings from Bank errors suspense vote to underbanking suspense vote.	5,523
Reallocation of underbankings from Bank errors suspense vote to underbanking suspense vote.	- (5,523)
Accruing for 2014-15 creditors as at 30 June 2015.	535,432
Adjustment to align the "DEBTORS CONTROL - VAT ACCRUED" vote to the "DEBTORS CONTROL - VAT BILLED" vote as these two should be a mirror of the other.	- 1,241,407
Adjustment to recognise prior year Input VAT that was not claimed per Service Provider's investigations	- (20,688)
Adjustment for R350 receipt i.r.o water services that was not reversed when the water and sanitation function was transferred to Sekhukhune District Municipality.	- 350
Adjustment for depreciation on investment property reclassified as PPE.	- 1,644,128
Adjustment to write off component of Mayoral car purchase price processed in suspense vote in 2015. (Vehicle was capitalised at correct cost price).	(58,762)
Adjustment to write off unsubstantiated petty cash balance dating back prior 2012-13 financial year.	(3,999)
	(15,197)
Adjustment for 2015 vehicle licencing expense misposted to suspense account.	(12,419)
Reversal of journal 91 (2015) that was incorrectly processed in the suspense vote and social programmes expense.	879,396
Write-off of unsubstantiated prior year amount in Traffic suspense vote.	(92,130)
Adjustment to write off unsubstantiated sundry creditors balance dating back prior 2011-12 financial year.	(4,715,997)
Adjustment to write off unsubstantiated balances from 2011-12 financial year and before.	13,950,222
Write-off of unsubstantiated sundry balances from 2011-12 financial year.	945,579
Writing off unsubstantiated prior year Retention balance	(2,824,480)
Reversal of prior year VAT claimed per Maxprof workings.	353,673
Adjustment to reverse unreconciled receipts between Refund Control Traffic Suspense votes.	265
Adjustment to reverse prior year other income receipts that were not cleared from suspense account.	(128,027)
	-
Reclassification of property from Investment property to PPE	9,700,000
Reclassification of property from Investment property to PPE	(9,700,000)
Decrease in retained earnings	9,378

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47. Prior period errors (continued)

Statement of Financial Performance

Adjustment for 2014-15 13th cheque liability that was not accounted for in 2014-15 AFS.	-	2,378,208
Adjustment for understatement of 2015 actuarial gains.	-	(1,421,000)
Adjustment for understatement of 2015 interest cost on post employment medical aid benefit and long service award liabilities.	-	1,421,000
Adjustment to reverse advertising expense i.r.o supplier who was erroneously paid based on pro-forma invoice and where services were not rendered.	-	(4,992)
Reallocation of debit suspense vote from Statement of Financial Performance	-	(58,762)
Reversal of duplicated receipts (Traffic)	-	177
Disposal of assets through an Auction which had been erroneously recorded in 2015 financial year	-	(704,068)
Correction of projects wrongly expensed in 2015 financial year	-	(537,619)
Correction of projects wrongly expensed in 2015 financial year	-	323,333
Prior year depreciation adjustments to align asset register	-	(545,908)
Adjustment for 2014-15 13th leave liability that was understated in 2014-15 AFS.	-	261,576
Accruing for 2014-15 creditors as at 30 June 2015.	-	240,849
Adjustment for underpayment of traffic revenue collection for April-June 2015 to Department of Roads and Transport.	-	15,197
Recognition of Services in kind revenue i.r.o services rendered by COGHSTA seconded officials.	-	(1,350,590)
Recognition of Services in kind payroll expense i.r.o services rendered by COGHSTA seconded officials.	-	1,350,590
Adjustment for Revenue prior year i.r.o. revenue not collected at dumpsite	-	(2,058,464)
Adjustment for Revenue foregone i.r.o. revenue not collected at dumpsite	-	2,058,564
Reversal of journal 91 (2015) that was incorrectly processed in the suspense vote and special programmes expense.	-	(879,396)
Adjustment for understatement of expenditure due to incorrect recognition of stock write-off liability balance as expense	-	(3,163)
Net adjustment to 2015 surplus for the year.	-	485,431

48. Change in accounting policy

GTM decided in 2016 to change the accounting policy for determination of the provision for doubtful debt as it will reflect the consumer debtors balance more accurately. The comparative amounts were restated accordingly. The effect of the change in policy on the results of 2015 was as follows:

Statement of changes in financial position

	Total
Increase in 2015 Provision for doubtful debt	(41,891,325)
Increase in 2015 debt impairment expense	41,891,325

-

49. Risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and cashflow budgeting.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

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49. Risk management (continued)

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

50. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. The municipality merged with the Fetakgomo local municipality following the 2016 local government elections and will continue operations as the new merged entity, and has therefore been accounted for as a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

51. Events after the reporting date

As a result of the 2016 local government elections on 3 August 2016, Greater Tubatse local municipality merged with Fetakgomo local municipality.

52. Unauthorised expenditure

Opening balance	79,110,468	77,687,230
Unauthorised expenditure - on cash votes	23,170,526	1,423,238
	102,280,994	79,110,468

Current year unauthorised expenditure relates to overspending of remuneration to councillors and employee cost due to the upper limits salary determination being promulgated late.

Council has referred this amount to the MPAC for investigation and subsequent ratification.

53. Fruitless and wasteful expenditure

Opening balance	1,849,325	318,123
Fruitless and wasteful expenditure	149,996	1,531,202
	1,999,321	1,849,325

Council has referred this amount to the MPAC for investigation and subsequent ratification.

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54. Irregular expenditure		
Opening balance	137,819,362	121,760,963
Expenditure current year	35,416,058	16,058,399
	173,235,420	137,819,362

Council has referred this amount to the MPAC for investigation and subsequent ratification.

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Non compliance SCM regulations:		-
Bauba Marumo Waste Management (Landfill site management)	Currently under investigation	12,057,192
Fawcet Security Services (Security services)	Currently under investigation	9,538,076
Focus Outsourcing (Processing monthly rates and services accounts)	Currently under investigation	228,988
MGL Engineering (Maintenance of machinery)	Currently under investigation	2,493,160
XLP Document Solution (Rental of printers)	Currently under investigation	3,079,445
F. M. Maluleka Attorneys	Currently under investigation	2,142,147
Verveen Attorneys	Currently under investigation	1,337,752
Noko Maimela Attorneys	Currently under investigation	1,630,978
Sa Thobane Attorneys	Currently under investigation	872,317
Modise Mabule Inc	Currently under investigation	632,663
Leshabane Technologies	Currently under investigation	1,403,340
		35,416,058

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55. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Opening balance	429,971	(429,970)
Current year fee	4,338,234	3,158,172
Amount paid - current year	(4,338,234)	(3,158,173)
	429,971	(429,971)

SALGA Fees

Current year subscription / fee	1,339,823	810,355
Amount paid - current year	(1,339,823)	(810,355)
	-	-

PAYE and UIF

Current year subscription / fee	19,513,632	18,245,622
Amount paid - current year	(19,513,632)	(18,245,622)
	-	-

Pension and Medical Aid Deductions

Opening balance	12,372	-
Current year subscription / fee	25,313,817	26,523,701
Amount paid - current year	(25,326,189)	(26,511,329)
	-	12,372

VAT

VAT receivable	12,683,949	1,198,325
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VAT output payables and VAT input receivables are shown in note 13 and .

All VAT returns have been submitted by the due date throughout the year. The municipality is registered on the cash basis and the timing of payments to/from SARS is at the end of each month.

Councillors' arrear consumer accounts

Councillors had arrear accounts on 30 June 2016 .

30 June 2016	Outstanding more than 90 days R	Total R
Councillor M D Nkosi	14,663	14,663
	14,663	14,663
30 June 2015	Outstanding more than 90 days R	Total R
Councillor M D Nkosi	19,401	19,401

Greater Tubatse Municipality

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Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

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55. Additional disclosure in terms of Municipal Finance Management Act (continued)

The Councillor was entered into a repayment agreement for R500 per month with the Municipality. This agreement will be renegotiated.

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56. Statement of comparative and actual information

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Financial Performance									
Property rates	-	-	-	-	-	70,009,714	70,009,714	DIV/0 %	DIV/0 %
Service charges	-	-	-	-	-	7,984,926	7,984,926	DIV/0 %	DIV/0 %
Investment revenue	-	-	-	-	-	4,575,986	4,575,986	DIV/0 %	DIV/0 %
Transfers recognised - operational	-	-	-	-	-	153,684,360	153,684,360	DIV/0 %	DIV/0 %
Other own revenue	-	-	-	-	-	12,757,322	12,757,322	DIV/0 %	DIV/0 %
Total revenue (excluding capital transfers and contributions)	-	-	-	-	-	249,012,308	249,012,308	DIV/0 %	DIV/0 %
Employee costs	-	-	-	-	-	85,441,510	85,441,510	DIV/0 %	DIV/0 %
Remuneration of councillors	-	-	-	-	-	17,715,495	17,715,495	DIV/0 %	DIV/0 %
Debt impairment	-	-	-		-	1,800,000	1,800,000	DIV/0 %	DIV/0 %
Depreciation and asset impairment	-	-	-		-	59,849,478	59,849,478	DIV/0 %	DIV/0 %
Finance charges	-	-	-	-	-	20,065,535	20,065,535	DIV/0 %	DIV/0 %
Transfers and grants	-	-	-	-	-	3,698,699	3,698,699	DIV/0 %	DIV/0 %
Other expenditure	-	-	-	-	-	(66,532,878)	(66,532,878)	DIV/0 %	DIV/0 %
Total expenditure	-	-	-	-	-	122,037,839	122,037,839	DIV/0 %	DIV/0 %
Surplus/(Deficit)	-	-	-	-	-	371,050,147	371,050,147	DIV/0 %	DIV/0 %

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Notes to the Annual Financial Statements

Figures in Rand

56. (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	-	-	-	116,524,578	116,524,578	44,042,640	(72,481,938)	38 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	-	-	-	116,524,578	116,524,578	415,092,787	298,568,209	356 %	DIV/0 %
Surplus/(Deficit) for the year	-	-	-	116,524,578	116,524,578	415,092,787	298,568,209	356 %	DIV/0 %

Capital expenditure and funds sources

57. Other 2

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Supplementary Information

Greater Tubatse Municipality
Appendix A

Schedule of external loans as at 30 June 2012

Loan Number	Redeemable	Balance at 30 June 2015	Received during the period	Redeemed written off during the period	Balance at 30 June 2016	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
Development Bank of South Africa							
DBSA LOAN NUMBER 12713/102	1	476,499	-	305,872	170,627	-	-
DBSA LOAN NUMBER 13585/102	2	2,152,385	-	97,944	2,054,441	-	-
DBSA LOAN NUMBER 102904/2	3	4,780,200	-	103,093	4,677,107	-	-
DBSA LOAN NUMBER 102904/1	4	11,079,838	-	407,342	10,672,496	-	-
		18,488,922	-	914,251	17,574,671	-	-
Total external loans							
Development Bank of South Africa		18,488,922	-	914,251	17,574,671	-	-
		18,488,922	-	914,251	17,574,671	-	-